

**JEFFERSON COUNTY, WASHINGTON**  
**January 1, 1994 Through December 31, 1994**

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**Schedule Of Findings**

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1. Accounting Controls And Procedures Should Be Improved

During our audit we found the internal controls, supporting the financial accounting and reporting system, were not adequate to ensure the accuracy of accounting information. We found material weaknesses that affected the county's ability to prepare accurate and timely financial reports. Those material weaknesses included:

- a. The county was not coding transactions properly.

The departmental accounting staff were not coding invoices for correct expenditure classifications. The BARS manual gives instructions on how to properly code transactions.

- b. Procedures for reconciling subsidiary financial accounting systems to the general ledger were inadequate. As noted in the 1993 audit report, various county departments prepared individual fund financial statements and provided the county auditor's office with adjusting entries for financial statement purposes. There was confusion between the departments accounting staff and the auditors accounting staff on how to reconcile the subsidiary systems to the general ledger.

- c. The budget contained account code errors. The errors in the budget were incorporated into the financial accounting system. The departments then used the budgeted accounts to record their transactions.

- d. The county did not have written policies and procedures covering the accounting systems.

RCW 43.09.200 states in part:

The accounts shall show the receipt, use, and disposition of all public property, and the income, if any derived therefrom; all sources of public income, and the amounts due and received from each source; all receipts, vouchers, and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction; all statements and reports made or required to be made, for the internal administration of the office to which they pertain; and all reports published or required to be published, for the information of the people regarding any and all details of the financial administration of public affairs.

The combination of these control weaknesses led to accounting errors and omissions the county was unable to correct (see Finding 3).

The county's decentralized organizational structure has inhibited the development and operation of effective accounting controls. Additionally, lack of sufficient supervisory review and technical training has also impacted the internal control weaknesses noted above. These internal control weaknesses contributed to the county's failure to produce reliable financial statements and other reports.

We recommend:

- a. The county address the deficiencies of the financial reporting system, both centralized at the auditor's office and decentralized with the county departments.
- b. All county department accounting staff be provided with sufficient training and reference material, which would include financial reporting, legal compliance, and internal control issues.
- c. Supervisors and/or other qualified individuals review staff functions.
- d. Policies and procedures be documented and written policies should address the following:
  - (1) Proper source document control, document origination, authorization, data collection, preparation, and error handling.
  - (2) Methods for proper and timely balancing and reconciliation of output reports produced by the county's computer system.
  - (3) The process of identifying, correcting and reprocessing data by the departments so they can accurately enter it into the county's computer system.

2. Data Processing Controls Should Be Improved

During our audit of the county's data processing system, operated by public works, we noted the following internal control weaknesses:

- a. There were no controls restricting access to production programs and files against unauthorized use, damage, or modification.
- b. The current disaster recovery plan was not adequate or up to date. No one had communicated the existing plan to the user department. The plan had not been tested for resuming data processing activities in case of disaster.
- c. The county lacked a security administration plan. Lacking such a plan, administrators found that granting excess rights to computer files and programs was easier than to learn the specific needs of the user.

The Washington State Auditors Office Bulletin No. 3 dated October 29, 1981, provides control guidelines for computer installations and computer based systems. This bulletin is issued in conjunction with the State Auditor's authority to prescribe uniform systems of accounting (RCW 43.09.230).

Access controls are designed to limit access to documentation, files and programs. A weakness in or lack of such controls increases the opportunity for unauthorized modification to files and programs, and misuse of the computer hardware. Proper access controls help in the prevention or detection of deliberate or accidental errors caused by improper use of computer programs, or improper use of computer equipment.

Management lacked experience in the new operating system.

We recommend:

- a. Public works update and test the county's disaster recovery plan. They should establish an alternate operations site in the event the computer facility is inoperable or destroyed in a disaster.
- b. They should establish written procedures, policies, and standards for the security system.

3. Mason County Should Prepare Timely And Accurate Financial Reports

Mason County did not prepare the following financial statements:

- Combined Statement of Revenues, Expenditures and Changes in Fund Balances ) All Governmental Fund Types and Expendable Trust Funds
- Combined Statement of Revenues, Expenditures and Changes in Fund Balances ) Budget and Actual ) General and Special Revenue Funds
- Combined Statement of Revenues, Expenses and Changes in Fund Equity ) All Proprietary Fund Types and Similar Trust Funds
- Combined Statement of Cash Flows - All Proprietary Fund Types and Similar Trust Funds.

*Revised Code of Washington (RCW) 43.09.230 states in part:*

The state auditor shall require from every taxing district and other political subdivisions financial reports covering the full period of each fiscal year, in accordance with the forms and methods proscribed by the state auditor, which shall be uniform for all accounts of the same class.

Such reports shall be prepared, certified, and filed with the division within one hundred fifty days after the close of each fiscal year.

The reports shall contain accurate statements, in summarized form, of all collections made, or receipts received, by the officers from all sources; all accounts due the public treasury, but not collected; and all expenditures for every purpose, and by what authority authorized . . . .

The failure of the county to produce adequate financial reports restricts access of financial information from the county commissioners, the public, state and federal agencies; it also limited the ability of the state auditor to conduct an audit of the financial affairs of the county.

The county did not produce the financial reports described above because the county auditor's staff was unable to resolve accounting errors and omissions in the time available.

We recommend that the county commit sufficient resources to produce accurate and timely financial reports.

4. The Sheriff's Department Should Comply With The Uniform Controlled Substances Act Regarding Seizure And Forfeiture And Should Deposit All Public Moneys With The County Treasurer

As we stated in our 1993 audit report, the Mason County Sheriff's department seized a total of \$7,573 in cash pursuant to the Uniform Controlled Substances Act. Under this Act, the county should have paid the state treasurer \$757 from these proceeds by January 31, 1994. The county did not pay the state its share nor submit the required quarterly reports on seized and forfeited property. The Mason County Sheriff also placed the moneys in a checking account belonging to the sheriff's department without first being deposited with the Mason County Treasurer.

RCW 69.50.505 paragraph (h) (1) states in part:

. . . By January 31st of each year, each seizing agency shall remit to the state treasurer an amount equal to ten percent of the net proceeds of any property forfeited during the preceding calendar year . . . .

In addition to the requirement stated above, RCW 69.50.505, paragraph (g)(3) requires each sheriff department to file a quarterly report with the state treasurer including a copy of records of forfeited property.

Article XI, Section 15 of the *Constitution of the State of Washington* states in part:

All moneys, assessments and taxes belonging to or collected for the use of any county . . . coming into the hands of any officer thereof, shall immediately be deposited with the treasurer.

When the sheriff's department does not report the net proceeds of any property forfeited, and remit the state's portion, it is in violation of the law. Also, by placing public money in a department checking account without depositing with the county treasurer, the department circumvents accounting controls and accountability of county funds by the treasurer.

When asked, sheriff department officials said they had forgotten to send the money to the state.

We again recommend the Mason County Sheriff department remit to the State Treasurer its share from property forfeited pursuant to state law. We further recommend the department make the required reports of forfeited property to the State Treasurer.

We also recommend the department deposit all funds with the county treasurer in a timely manner.